

Deputy Prime Minister's Office

Resource Accounts

2006-07

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(For the year ended 31 March 2007)

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ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2007

These accounts, for the year ended 31 March 2007, relate to the Deputy Prime Minister's Office (DPMO). The Deputy Prime Minister's Office was formed on 5 May 2006 to oversee and co-ordinate the efficient development of Government policy across the full range of domestic policy areas.

1. Annual Review

- 1.1 These accounts have been prepared in accordance with the Direction given by the Treasury in pursuance of the Government Resources and Accounts Act 2000.
- 1.2 The Office reports on various issues during the year, as follows:
- **Departmental Annual Report:** This report was presented to Parliament in May 2007, setting out information about the aims, activities, functions and performance of the Office. More details on the achievements, contained in this report, are outlined in section 2. The full Annual Report can be found on the Office's website <http://www.dpm.gov.uk/>.
 - **Estimates: The Estimates are presented annually on the following cycle:**
 - Main Supply Estimates start the supply procedure and are presented at the beginning of the financial year to which they relate;
 - Winter Supplementary Estimates are presented in November, and reflect changes to Supply, and funds that are required by the Office, that have been identified during the year; and
 - Spring Supplementary Estimates are presented in February, and represent the final changes required by the Office. These Estimates can be found on the HM Treasury website www.hm-treasury.gov.uk;
- 1.3 The Office's aim is to support the Deputy Prime Minister in overseeing and co-ordinating across the full range of domestic Government policy and deputising for the Prime Minister at home and abroad. The Statement of Operating Costs by Departmental Aim and Objectives, on Page 22 of these accounts reports the strategic priorities and the resources used by the Office in achieving these. The core strategic objective of the Office is:
- to provide support and advice to enable the Deputy Prime Minister to discharge a range of duties on behalf of the Prime Minister;
 - to oversee and co-ordinate Government policy across the full range of domestic policy areas through the Cabinet Committee system; and
 - to support all aspects of the Deputy Prime Minister's international engagements, both in the UK and overseas.

Minister

- 1.4 The Minister for the Deputy Prime Minister's Office during the year ended 31 March 2007 was:

The Rt. Hon John Prescott MP Deputy Prime Minister

Permanent Head of the Office and Board

- 1.5 The composition of the Office's Board during the year ended 31 March 2007 was as follows:

Board Members

Philip Cox	Principal Private Secretary and Accounting Officer
Lucy Bell	Secretary to the Board
Robbie Bulloch	Foreign Affairs Adviser
Julian Smith	Director of Finance

Jerry Page	Director of Finance, Cabinet Office
Janet Pope	Chief Executive, Alliance Trust Savings

The Accounting Officer was appointed by HM Treasury.

1.6 The Audit and Risk Committee gives independent advice to the Accounting Officer on the adequacy of audit arrangements and assurances received on the existence and effectiveness of systems of accountability and control. The Audit and Risk Committee is chaired by Jerry Page, a non-executive Director of the Board, supported by one independent external member: Janet Pope. In addition, the Principal Private Secretary and Director of Finance attend meetings. The Committee met on one occasion during the year. It:

- Provided independent advice on how well the system of internal control was embedded in the planning, operational, monitoring and review activities;
- Considered the adequacy of assurances provided by senior managers on the stewardship of resources entrusted to them. These assurances provided the basis for the Accounting Officer to sign the Statement on Internal Control;
- Reviewed the adequacy of the risk management framework;
- Considered whether DPMO's internal audit service met the standards set out in the Government Internal Audit Manual; and
- Reviewed the planned activity and results of work by the National Audit Office.

1.7 The Office complies with the aspects of the Code of Good Practice on Corporate Governance in Central Government Departments.

- 2.1 The Deputy Prime Minister fulfilled his responsibility for overseeing and coordinating government policy through chairing a range of Cabinet Committees, including the Domestic Affairs Committee, which has an important role in scrutinising and approving a large proportion of domestic policy. Cabinet Committees bring Ministers together to find solutions to key policy issues in order to maximise the impact and delivery of Government policy, and much of the Deputy Prime Minister's Cabinet Committee work focused on improving the effectiveness of policy development across Government, particularly in relation to those issues which cut across Departmental responsibilities and which demand a co-ordinated cross-Government response. He deputised for the Prime Minister domestically, at Prime Ministers' Questions and in respect of international issues, and was active in forging dialogues with the new EU accession countries. He also deputised for the Prime Minister at the British-Irish Council.
- 2.2 The Office's main achievements in 2006–07 are reported in detail in the Annual Report 2007, which was presented to Parliament in May 2007. The report may also be accessed through our web-site: www.dpm.gov.uk. A summary of some of the main achievements are outlined in the following paragraphs.
- 2.3 The Deputy Prime Minister long played an important role in tackling climate change and in relations with China. As Chair of the China Task Force, set up at the request of the Prime Minister and his Chinese counterpart Premier Wen in 2003, the Deputy Prime Minister has been instrumental in increasing bilateral co-operation on issues from education to sustainable development. He worked closely with the Foreign Secretary, the Secretary of State for the Environment, and other Departments across Government to promote the Government's post-Kyoto agenda. He has also been active in forging dialogues with newer and prospective EU member countries across a range of EU and bilateral issues.
- 2.4 Over the past year the Deputy Prime Minister devoted a significant proportion of his time to increasing awareness of the dangers of climate change, the greatest long-term threat facing the world today. As an issue, climate change cuts across Government policies and responsibilities, and the Deputy Prime Minister therefore worked closely with Ministerial colleagues to ensure that Departments maximise their collective contribution to tackling its causes. In

the last 12 months, for example, he led discussions relating to the level of the cap on UK carbon emissions under Phase II of the EU Emissions Trading Scheme, and was also closely involved in the development of the Climate Change Bill.

- 2.5 A sustainable city is one which balances the social, economic and environmental concerns of its inhabitants, meeting the needs of existing and future generations and providing jobs, schools, health and other services that are accessible to all. Central to sustainability is a commitment to environmental improvement at local, national and international levels, including tackling climate change. In the past year the Deputy Prime Minister used his role as Chair of the China Task Force to take the sustainability agenda to China where these issues are particularly pertinent: 300 million people are expected to migrate to China's cities over the next 20 years. The Chinese Government recognises that the historic Western pattern of unsustainable development cannot occur in China without unacceptable consequences for the Chinese economy and environment, and ultimately for the rest of the world. For this reason, it also recognises the potential of investing in sustainable development.
- 2.6 The Deputy Prime Minister discussed the importance of international co-operation on climate change with Premier Wen and State Councillor Tang during his visit to China in Spring 2007. He presented a proposal for Sino-UK collaboration in creating sustainable cities, launched phase II of the UK-China Sustainable Development Dialogue and delivered three keynote speeches on sustainability and climate change to international audiences, including an address to the China Council for International Cooperation on Environment and Development with International Panel on Climate Change Chairman, Dr Rajendra Pachauri. He also visited the site of Dongtan, a pioneering eco-city set to be built on Chongming Island near Shanghai.
- 2.7 Britain's burgeoning relationship with China was underlined by the successful state visit of Premier Wen to Britain in September 2006. This visit included a meeting with the China Task Force, which has been chaired by the Deputy Prime Minister since it was established in 2003 and which aims to increase cooperation between the countries in the fields of education, international development, health, trade and investment, science, culture and sustainable development. Members of the Task Force include business leaders, senior academics and politicians with experience and expertise in China, and full meetings are held two to three times a year.
- 2.8 Together with its Chinese counterpart, chaired by State Councillor Tang Jiaxuan, the Task Force represents a shared commitment to furthering bilateral relations, and has created a favourable context for the promotion of UK business and other interests. The Deputy Prime Minister presented a progress report on the work of the China Task Force to Premier Wen during his visit to the UK in September 2006, highlighting:
- Enhanced co-operation between Government Departments on furthering UK-China relations;
 - Greater co-operation across five key areas of trade - information and communications technology, water, financial services, energy and health;
 - The increased number of exchanges between UK and Chinese Universities following the introduction of a scholarships scheme;
 - Proposals to simplify Chinese student visa arrangements and to introduce annual UK-China Education summits;
 - The signing of a Sustainable Development Dialogue between the UK and China;
 - The development of a UK-China working group on Climate Change; and
 - Areas where co-operation could be strengthened in the field of health.
- 2.9 The Deputy Prime Minister held follow-up talks with Premier Wen, State Councillor Tang and the Mayor of Shanghai during his tenth visit to China in Spring 2007.
- 2.10 As Cabinet Committee Chair, the Deputy Prime Minister sought to ensure that engagement with Britain's Muslim communities is at the forefront of Government policy on building cohesion and tackling inequalities. His work in this area during the past year included overseeing:
- An assessment of the disproportionate levels of disadvantage experienced by Muslim communities;
 - A review of the Government's engagement with Muslim communities during the first year anniversary of 7/7, resulting in a clearer brief for Ministerial engagement;
 - An assessment of the links between these areas and the Government's wider work on social cohesion, including the local solutions being developed by the Commission on Integration and Cohesion; and
 - A review of cross-government work to improve socioeconomic outcomes, increase levels of civic participation and build a set of shared values that will result in higher levels of cohesion.

- 2.11 The Deputy Prime Minister also discussed Muslim engagement with government and faith representatives during his visit to Malaysia in October 2006. He also met members of the UK-Indonesian Islamic Advisory Group.
- 2.12 The Deputy Prime Minister co-ordinated detailed discussions across Government in the lead-up to publication of the 'Strong and Prosperous Communities' White Paper on local government in October 2006. The paper gives local people and local communities more power to improve their lives, setting out a vision of revitalised local authorities working with their partners to reshape public services around the citizens and communities that use them. It also proposes radical changes to enable local partners to respond more flexibly to local needs and to reduce the amount of top-down control from Central Government.
- 2.13 Ensuring the delivery of "Opportunity Age", the Government's strategy for an ageing society, the Deputy Prime Minister has held discussions both with Ministerial colleagues and with external organisations. Since 1997, pensioner poverty has been reduced by over 2 million, and pensioners are now less likely to be living in poverty than people of working age. The employment rate for those aged 50 to State Pension age is increasing - from 69.8% to 70.6% between Spring 2003 and Spring 2006 - and, for everyone aged 60 and over in England, the Government has introduced a statutory entitlement to free off-peak bus travel in their local area, benefiting an estimated nine million people. Legislation against age discrimination in employment and training and reform of the Pension Reform Bill will secure further improvements in the quality of life and expectations of older people.
- 2.14 The Deputy Prime Minister secured cross-Government agreement on proposals for the future of the Post Office network and co-ordinated its response to the public consultation. The Government recognises the important social and economic role that Post Offices play in society, and its proposals will ensure that a national network is maintained for the long term. The new access criteria will ensure that rural communities and customers in deprived urban areas will continue to have access to Post Office services. They will also enable the Post Office to expand its provision of financial services.
- 2.15 Over the past 12 months the Deputy Prime Minister has chaired a series of meetings on the Government's response to equal pay pressures in the public services. These discussions have encouraged employers to tackle equal pay in ways which will deliver cost effective pay reform and support public service delivery. He has also worked closely with the Attorney General and the Chief Secretary to the Treasury to coordinate the Government's response to a crucial decision of the European Court of Justice which may affect the pay of public sector employees.
- 2.16 25th March 2007 marked the bicentenary of the passing of the Abolition of the Slave Trade Act, a landmark in the struggle for equality, dignity and respect for all which had a tremendous impact throughout the world. Over the past year the Deputy Prime Minister, as Chair of the informal advisory group, has been leading work across Government to ensure that this important anniversary receives a fitting tribute. Whilst the passing of the Act was historically hugely significant, the issues it addressed are sadly not purely of historical interest: modern forms of slavery such as people trafficking, bonded labour and child labour still persist alongside prejudice, discrimination and entrenched inequalities in some sectors of society.
- 2.17 With this in mind, the Government's aims for this bicentenary have been:
- Reflecting on the past;
 - Commemorating those who suffered as a result of the slave trade;
 - Recognising the efforts of those who struggled for abolition and those who ensured the new laws were enforced, including enslaved Africans, statespeople and ordinary citizens; and
 - To look to the future tackling contemporary and legacy issues arising out of the slave trade, including:
 - Poverty and inequality on the African continent, with a special emphasis on improving access to education;
 - Inequality, discrimination and racism today, in particular for the African and Caribbean diaspora; and
 - Contemporary slavery in all its forms.
- 2.18 Setting the tone for this year's commemorations, the Prime Minister expressed his 'deep sorrow' about the slave trade in November 2006. In March, the Deputy Prime Minister led a full-day Adjournment Debate in the House of Commons to commemorate the bicentenary and to raise awareness of legacy issues and contemporary slavery.
- 2.19 The Deputy Prime Minister also hosted the Prime Minister of Barbados, the Right Honourable Owen Arthur MP, during his visit to Hull to re-open Wilberforce House and give his Wilberforce Lecture on the weekend of 24-25th March. The main national service of commemoration took place in Westminster Abbey on 27th March, attended by HM the Queen, the Prime Minister, the Speaker of the House of Commons and the Deputy Prime Minister amongst many others.

- 2.20 In February, the Deputy Prime Minister visited Freetown in Sierra Leone and saw the Freedom Steps, where former slaves who had been onboard ships intercepted by the Royal Navy were returned as free people. He then traveled to Ghana, where he met President Kufuor and saw for himself the harrowing slave forts where slaves were imprisoned before being loaded onto ships to cross the Atlantic.
- 2.21 Reflecting the UK's commitment to commemorating the anniversary with steps to combat modern forms of slavery, the Deputy Prime Minister led a round table discussion on human trafficking with UN representatives during his visit to Geneva in March.
- 2.22 In an event of particular significance in this bicentenary year, which coincides with the 50th anniversary of Ghanaian independence the Deputy Prime Minister invited former Secretary-General of the United Nations Kofi Annan to give an address to both Houses of Parliament on 8th May 2007.
- 2.23 The nature of this year's commemorations has enabled many different voices to be heard in relation to issues which are understandably very sensitive and often controversial. This opening up of the debate, both in the media and in our communities, together with an increasing awareness amongst young people about the real history of the slave trade, are vital to marking the bicentenary as a fitting tribute to those who died and who struggled for abolition.
- 2.24 As the Deputy Prime Minister declared in the House of Commons on 20th March, "Let the anniversary that we commemorate lead to a wider discussion and greater recognition of slavery in its old and new contexts, and to redressing the evil balance that it continues to create. Reminded by our past, we reinforce our commitment to a future in which there can be social justice and freedom for all."

Public Service Agreement Targets

- 2.25 The Office does not have any Public Service Agreements of its own, but in its role co-ordinating Government policy it makes an important contribution to the delivery of PSA targets across Government.

The Future

- 2.26 The Office has been participating along with other Government Departments in the Comprehensive Spending Review (CSR) 2007 process; which determines future funding.

Investment and Funding

- 2.27 As a Government Department, the Office is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans is sought through Supply Estimates presented to the House of Commons, specifying the estimated expenditure, and requesting the necessary funds. The Office then drew down funds in year from the Consolidated Fund as required.
- 2.28 The Estimates are structured by 'Request for Resources' (RfR) and includes a formal description, or ambit of the services to be financed under each RfR.
- 2.29 The Office has one Request for Resources for 2006-07: Supporting the Deputy Prime Minister in carrying out his ministerial responsibilities. The Statement of Parliamentary Supply, on Page 18 of the Accounts shows Outturn figures against Estimates for RfR 1.
- 2.30 The Cash Flow Statement set out on Page 21, analyses the net cash flow from operating activities, and shows the funding that the Office drew down from the Consolidated Fund in order to finance its activities during the year.

2006-07 Outturn against Estimate

- 2.31 The Statement of Parliamentary Supply shows that there is a total underspend of £78k which was 3% on a budget of £2.5 million. Note 2 to the accounts is the other source that shows a detailed breakdown of outturn and Estimates.

- 2.32 The outturn as provided in the Statement of Parliamentary Supply is based on the resources consumed by the Office. In addition to the amounts allocated to the Office in its Request for Resources it also has a Resource Budget, which is split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). For the Office the Resource Budget matches the DEL, and is provided below:

	2006-07 £000	2005-06 £000
Net Resource Requirement	2,469	2,306
<i>Adjustments to additionally include:</i>		
Non-voted expenditure on the Operating Cost Statement (OCS)	-	-
Net Operating Costs (Accounts)	2,469	2,306
<i>Adjustments:</i>	-	-
Resource Budget	2,469	2,306
Of which		
Departmental Expenditure Limit (DEL)	2,469	2,306
Annually Managed Expenditure (AME)	-	-

Note: As a result of the Machinery of Government changes that took place on 5 May 2006, exact comparisons cannot be made between expenditure in 2006-07 and 2005-06

Going Concern

- 2.33 The Balance Sheet at 31 March 2007 shows negative Taxpayers Equity of £756k. This reflects the inclusion of liabilities falling due within one year, which is to be financed by drawings from the Consolidated Fund. Such drawings will be from grants of Supply, approved annually by Parliament, to meet the Office's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from the Office's income, are surrenderable to the Fund.
- 2.34 In common with other Government Departments, the future financing of the Office's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2007-08 has already been given, and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Payment Performance

- 2.35 The Office recognises the Confederation of British Industry's "Prompt Payment Code" and discloses the following information in accordance with Regulations SI 1997/571. In common with the rest of Government, the Office works towards paying 100% of its undisputed bills on time i.e. within 30 days of the date of receipt of the invoice, or within the contractual term if less, with a Service Delivery Agreement target of not falling below 98%. During 2006-07 the payments were made from within the Department for Communities and Local Government (DCLG), and as reported in their Annual Resource Accounts DCLG paid 95.37% (2005-06: 98.09%) of bills on time.

Financial Organisation of the Office

- 2.36 The finances of the Office are managed by the Governance and Communication Group in DCLG overseen by DPMO. Therefore, the Office is subjected to the same financial system as that Department. DPMO delegates resource management responsibilities for administrative expenditure, the aim being to give managers as much discretion as possible while still securing propriety, regularity and best value for money. Senior managers are held accountable through a requirement to report back periodically on the discharge of their management responsibilities and stewardship of resources entrusted to them.
- 2.37 DCLG's Local Management Accounting Team (LMAT) provides financial accounting services to DPMO. During the year the Office maintained arrangements to secure better budgeting and forecasting, including monthly performance management framework which monitors expenditure against budget, and risk management, including guidance on risk identification, assessment and management. Risks identified through this process forms the basis

of a corporate risk register. These measures help provide the framework for the prudent and efficient use of resources.

Significant Events since the End of the Financial Year

- 2.38 The Rt Hon John Prescott MP stood down as Deputy Prime Minister (DPM) on 27 June. In the Ministerial re-shuffle that followed, Gordon Brown announced that he would not be appointing a DPM and that DPMO would be disbanded and its functions transferred to the Cabinet Office.

Auditors

- 2.39 The audit of the Office's Resource Accounts is carried out by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000 at a notional cost of £20,000.
- 2.40 The National Audit Office also performs other statutory audit work including Value for Money work and other reports to management at no cost to the Office.
- 2.41 So far as the Accounting Officer is aware, there is no relevant audit information of which the External Auditors are unaware.
- 2.42 The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information, and to establish that the DPMO's auditors are aware of this information.

Environment and Staff Policies

- 2.43 DPMO's staff are on loan from the Department for Communities and Local Government, and are therefore subject to the same policies as the staff in that Department. This applies to Equality and Diversity and Staff Relations. For more information on these policies please refer to the Resource Accounts of the Department for Communities and Local Government, or visit their website: www.communities.gov.uk.
- 2.44 DPMO is located within the Cabinet Office's estate and it participates in their policies and improvements relating to environmental concerns. DPMO's Health and Safety policy also takes account of the Health and Safety policies operated within the Cabinet Office. For more information on these policies please refer to the Resource Accounts of the Cabinet Office, or visit their website: www.cabinet-office.gov.uk.
- 2.45 There have been no incidents or accidents involving the Office's staff reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

3. Remuneration Report

Remuneration Policy

- 3.1 The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.
- 3.2 In reaching its recommendations, the Review Body is to have regard to the following considerations:
- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
 - Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
 - Government policies for improving the public services including the requirement on Departments to meet the output targets for the delivery of Departmental services;
 - The funds available to Departments as set out in the Government's Departmental expenditure limits; and
 - The Government's inflation target.

- 3.3 The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

- 3.4 Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.
- 3.5 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and Pension Entitlements

- 3.6 The following sections provide details of the remuneration and pension interests of the Secretary of State for the Office, other Ministers, Permanent Secretary and the other most senior officials of the Office, all of which have been subjected to audit.
- 3.7 The information given below relates to the salary, value of taxable benefits in kind and pension entitlements for the Deputy Prime Minister, Principal Private Secretary and other senior officials of the Office.

Remuneration

Minister	2006-07		2005-06	
	Salary £	Benefit-in-Kind (to nearest £100)	Salary £	Benefit-in-Kind (to nearest £100)
The Rt. Hon John Prescott MP	75,963	7,600	74,902	7,500

Board Officials	2006-07		2005-06	
	Salary £000	Benefit-in-Kind (to nearest £100)	Salary £000	Benefit-in-Kind (to nearest £100)
Philip Cox	95-100	-	-	-
Lucy Bell	50-55	-	-	-
Robbie Bulloch	65-70	-	-	-
Julian Smith	75-80	-	-	-

No prior year comparatives have been provided for Board Officials, because during 2005-06 they were not members of the Board. The non-executive Board members did not receive any remuneration.

Details of Benefits-in-Kind are contained in paragraph 3.10.

Salary

- 3.8 Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it was subject to UK taxation.
- 3.9 This presentation is based on payments made by the Office, and thus recorded in these accounts. In respect of Ministers in the House of Commons, the Office bears only the cost of the additional Ministerial remuneration; the salary for their service as an MP was £59,932 for 2006-07 (rates of £59,686 from April to October 2006, and £60,277 from November 2006 to March 2007). The equivalent rate for 2005-06 was £59,095. The various allowances to which they are entitled are borne centrally.

Benefits in Kind

- 3.10 The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The Rt. Hon John Prescott MP receives living accommodation provided at public expense, and chargeable to tax under s163 of the Income and Corporation Taxes Act 1988.

Ministerial Pension Benefits

DPMO Minister 2006-07	Total accrued Pension at 65 at 31/03/07 £000	Real increase in Pension at 65 £000	CETV at 31/03/07 £000	CETV at 31/03/06 £000	Real increase in CETV during the year £000
The Rt. Hon John Prescott MP	15-20	0-2.5	220	199	13

Ministerial Pensions

- 3.11 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).
- 3.12 Those Ministers, who are Members of Parliament, may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and the lower rate of employee contribution.
- 3.13 Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution paid by the Exchequer representing the balance of cost. This is currently 26.8% of the ministerial salary. The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

Cash Equivalent Transfer Value (CETV)

- 3.14 This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits, and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The Real Increase in the Value of the CETV

- 3.15 This is the increase in accrued pension due to the Office's contributions to the PCPF, and excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Board Pension Benefits

Board Officials 2006-07	Total accrued Pension at 60 at 31/03/07 £000	Real increase in Pension at 60 £000	CETV at 31/03/07 £000	CETV at 31/03/06 £000	Real increase in CETV during the year £000
Philip Cox	25-30 plus 55-60 lump sum	2.5-5 plus 2.5-5 lump sum	358	288	33
Lucy Bell	0-5 plus nil lump sum	0-2.5 plus nil lump sum	25	17	4
Robbie Bulloch	5-10 plus nil lump sum	0-2.5 plus nil lump sum	59	40	11
Julian Smith	5-10 plus 15-20 lump sum	0-2.5 plus 2.5-5 lump sum	63	41	11

Civil Service Pensions

- 3.16 Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (Classic, Premium and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality "money purchase" stakeholder arrangement with a significant employer contribution (Partnership Pension Account).
- 3.17 Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.
- 3.18 The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 3.19 The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60. Further details about the Civil Service Pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Value (CETV)

- 3.20 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04, the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements, and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The Real Increase in the Value of the CETV

- 3.21 This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

Philip Cox
Accounting Officer
Deputy Prime Minister's Office

11 July 2007

Statement of Accounting Officer's Responsibilities

1. Under the Government Resource and Accounting Act 2000, the Office is required to prepare Resource Accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Office during the year.
2. The Resource Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Office, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. HM Treasury has appointed the Permanent Head of the Office as Accounting Officer of the Office with overall responsibility for preparing the Office's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the Resource Accounts, the Accounting Officer is required to comply with the *Financial Reporting Manual* prepared by HM Treasury, and in particular to:
 - a. Observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. Make judgments and estimates on a reasonable basis;
 - c. State whether applicable accounting standards, as set out in the *Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
 - d. Prepare the accounts on a going-concern basis.
5. The responsibilities of an Accounting Officer including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Office's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Government Accounting*.

Statement on Internal Control

Scope of Responsibility

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Deputy Prime Minister Offices' policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.
2. The Deputy Prime Minister's Office was formed following the Ministerial reshuffle that took place on 5th May 2006. Prior to that, the DPM's office was part of the Office of the Deputy Prime Minister (ODPM). The Department for Communities and Local Government is the successor to the former ODPM.
3. Since the 5 May 2006 reshuffle, DPMO has been putting in place the systems and processes that it requires to enable it to function separately from DCLG. However, as a small office it makes sense, in the interests of economy and efficiency to look to other, larger Departments to provide a number of our corporate services. In particular, we have an ongoing agreement with DCLG to provide all of our finance and accounting services and therefore rely significantly on their systems and controls to manage the risks associated with DPMO's financial transactions.

The Purpose of the System of Internal Control

4. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of DPMO policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the DPMO from 5th May 2006 to the year ended 31 March 2007 and up to the date of approval of the annual report and accounts. This statement accords with Treasury guidance.

Capacity to Handle Risk – Risk and Control Framework

5. Since its establishment as a separate Government Department, DPMO has been putting in place the administrative procedures and processes required to manage the risks likely to be faced by an organisation of its size and scope. The Management Board agreed a timetable for this exercise that gave priority to putting systems in place where risks are greatest, and with the objective of having the majority of the Office's risk management systems, and all of the key ones in place by the end of March 2007. The executive members of the management team have taken a risk based approach to identifying the scale and scope of these. These procedures were then subject to review by the Office's Non Executive Directors and by the Office's Auditors to ensure that their coverage was appropriate and that they took proper account of the risks faced by the Office.
6. DPMO inherited well established systems for minimising the risk of irregular financial payments. These systems have been maintained. The Board concluded that the other key risks faced by the Office were focused on business continuity. As part of the former ODPM the Deputy Prime Minister's Office relied on a range of services provided by the Office. As a standalone Government Department, the Board concluded that it needed to ensure that it continued to receive such services, either from DCLG, or from the Cabinet Office. The Board therefore gave priority to concluding agreements with these Departments to ensure the continued provision of key central services such as security, IT, liaison with Parliament, support with Freedom of Information and provision of support for financial services. All of these were concluded by the end of the financial year. In addition the Board put in place a revised Business Continuity plan to ensure that it could continue to operate should its London HQ building become unavailable in the event of an emergency.
7. The Board also had in place a plan to conclude Service Level Agreements (SLAs) for other services it receives from DCLG and Cabinet Office covering, for example Legal Services, Human Resources and the use of its offices at 26 Whitehall.

Review of Effectiveness

8. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Office who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I

have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

9. Members of staff in DPMO are fully aware of the importance of managing risk. In addition, as a new Government Department, DPMO's system of internal control continued to develop and was kept under continual review as it did so. This development process was led by the Office's Board. In addition:
- DPMO's internal auditors undertook a review of the Office's systems within a few months of the establishment of the Department; and
 - The Office's systems have also been reviewed by its non-executive Directors and recommendations they made for improvements to those systems are being acted upon.
10. No significant internal control problems have been identified.

Philip Cox
Accounting Officer
Deputy Prime Minister's Office

11 July 2007:

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Deputy Prime Minister's Office for the year ended 2006-07 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises only the Annual Review, Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Office has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Office's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Office's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Office's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given within the Annual Report, which comprises the Annual Review, Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

Date: 12 July 2007

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Parliamentary Supply

Summary of Parliamentary Outturn for the year ended 31 March 2007

Request for resources	Note	Gross expenditure £000	A-in-A £000	Estimate NET TOTAL £000	Gross Expenditure £000	A-in-A £000	Outturn NET TOTAL £000	Net Total compared with Estimate savings/(excess) £000	2005-06 Prior-year Outturn £000
RfR 1	2	2,547	-	2,547	2,469	-	2,469	78	2,306
Total Resources	3	2,547		2,547	2,469		2,469	78	2,306

Net cash requirement 2006-07

	Note	Estimate £000	Outturn £000	2006-07 Net outturn compared with Estimate: outturn savings/(excess) £000	2005-06 Outturn £000
Net cash requirement	4	2,527	1,707	820	2,295

The structure and responsibilities changed, as a result of the Machinery of Government changes on 5 May 2006, so exact comparisons can not be made between 2006-07 and 2005-06.

The Notes on Pages 23 to 30 form part of these accounts

Operating Cost Statement for the year ended 31 March 2007

		2006-07			2005-06
		Staff Costs	Other Costs	Income	
		£000	£000	£000	£000
Administration Costs	Note				
Staff costs	5	1,210			1,064
Other administration costs	6		1,259		1,242
Totals		1,210	1,259	-	2,306
Net Operating Costs	3, 7			2,469	2,306

The structure and responsibilities changed, as a result of the Machinery of Government changes on 5 May 2006, so exact comparisons can not be made between 2006-07 and 2005-06.

There are no recognised gains and losses.

The Notes on Pages 23 to 30 form part of these accounts

Balance Sheet
as at 31 March 2007

	Note	2006-07 £000	2005-06 £000
Current Assets			
Debtors	8	41	3
Cash at bank and in hand	9	261	-
		<u>302</u>	<u>3</u>
Creditors: amounts falling due within one year	10	<u>(1,058)</u>	<u>(31)</u>
Net Current Liabilities		<u>(756)</u>	<u>(28)</u>
Total Assets less Current Liabilities		<u>(756)</u>	<u>(28)</u>
		<u>(756)</u>	<u>(28)</u>
Taxpayers' Equity			
General fund	11	<u>(756)</u>	<u>(28)</u>
		<u>(756)</u>	<u>(28)</u>

Philip Cox
Accounting Officer
Deputy Prime Minister's Office

11 July 2007

The Notes on Pages 23 to 30 form part of these accounts

**Cash Flow Statement
for the year ended 31 March 2007**

	2006-07	2005-06
Note	£000	£000
Net cash outflow from Operating Activities	12a (1,707)	(2,295)
Financing	12b 1,968	2,295
Increase in cash in the period	12c 261	-

The Notes on Pages 23 to 30 form part of these accounts

**Statement of Operating Costs by Departmental Aim and Objectives
for the year ended 31 March 2007**

	2006-07			2005-06		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Main Objectives						
Objective 1	2,469	-	2,469	2,306	-	2,306
Net Operating Costs	2,469	-	2,469	2,306	-	2,306

The Office's objective was to provide support and advice to the Deputy Prime Minister in overseeing and coordinating across the full range of domestic Government policy and deputising for the Prime Minister at home and abroad.

The Notes on Pages 23 to 30 form part of these accounts

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007**1. Statement of Accounting Policies**

The Financial Statements have been prepared in accordance with the 2006-07 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Office to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Office's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Office for the purpose of giving a true and fair view has been selected. The Office's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1. Accounting Convention

- 1.1.1. These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2. Administration Expenditure

- 1.2.1. The Operating Cost Statement is analysed between administration income and expenditure. The classification of expenditure and income as administration follows the definition of administration costs set by HM Treasury.

1.3. Capital Charge

- 1.3.1. A charge, reflecting the cost of capital utilised by the Office, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets, less liabilities.

1.4. Value Added Tax

- 1.4.1. Most of the activities of the Office are outside the scope of VAT and, in general output tax does not apply. Input VAT on certain contracted-out services is recovered under annual Treasury Direction. Irrecoverable VAT is charged to the relevant expenditure category. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.5. Pensions

- 1.5.1. Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Office recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Office recognises the contributions payable for the year.

1.6. Machinery of Government Changes

- 1.6.1. On 5 May 2006 the Deputy Prime Minister's Office was created from the Office of the Deputy Prime Minister, which was then formed as the Department for Communities and Local Government. Machinery of Government changes are accounted for under Merger accounting principles, and therefore the 2005-06 prior year comparative information has been provided. However, exact comparisons can not be made between 2006-07 and 2005-06 due to changes to the structure and responsibilities of the Office.

2. Analysis of net resource outturn by section

		2006-07							2005-06	
		Outturn					Estimate			
		Admin	Other Current	Grants	Gross Resource Expenditure	A-in-A	Net Total	Net Total	Net total outturn compared with Estimate	Prior year Outturn
RfR 1	Spending in Departmental Expenditure Limits (DEL) Central Government Expenditure	£000	£000	£000	£000	£000	£000	£000	£000	£000
A	Administration	2,469	-	-	2,469	-	2,469	2,547	78	2,306

3. Reconciliation of outturn to net operating cost and against Administration Budget

3(a) Reconciliation of net resource outturn to net operating cost

		2006-07		2005-06	
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
		£000	£000	£000	£000
Net Resource Outturn	Note 2	2,469	2,547	78	2,306
Net operating cost		2,469	2,547	78	2,306

3(b) Outturn against final Administration Budget

		2006-07		2005-06
		Budget	Outturn	Outturn
		£000	£000	£000
Gross Administration Budget		2,547	2,469	2,306
Net Outturn against final Administration Budget		2,547	2,469	2,306

4. Reconciliation of resources to cash requirement

		Estimate	Outturn	Net total outturn compared with Estimate saving/(excess)
		£000	£000	£000
Resources Outturn	Note 2	2,547	2,469	78
Accruals Adjustments:				
Non-cash items	6	(20)	(6)	(14)
Changes in working capital other than cash	12a	-	(756)	756
Net Cash Requirement		2,527	1,707	820

5. Staff Numbers and Related Costs

Staff costs comprise:

	2006-07					2005-06
	Total	Permanently- employed staff	Ministers	Special Advisers	Others	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	970	770	76	124	-	853
Social security costs	90	67	9	14	-	82
Other pension costs	134	122	-	12	-	109
Sub Total	1,194	959	85	150	-	1,044
Inward secondments / Agency and Temp Staff	16	-	-	-	16	20
Total	1,210	959	85	150	16	1,064

- 5.1 The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but Deputy Prime Minister's Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).
- 5.2 Employers' contributions were payable to the PCSPS at one of four rates in the range 17.1 to 25.5% (2005-06: 16.2 to 24.6%) of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2006-07 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they accrue, not when the costs are actually incurred, and reflect past experience of the scheme. Actual contributions for DPMO staff are paid with those for the Department for Communities and Local Government.
- 5.3 Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution, to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% (2005-06: 3 to 12.5%) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.
- 5.4 No people retired early on ill-health grounds.

Average number of persons employed

The average number of whole-time equivalent persons during the year was as follows.

Objective	2006-2007 Number					2005-06 Number
	Total	Permanent staff	Others	Ministers	Special Advisers	
1.	19.6	16.1	0.5	1.0	2.0	18.9

The Office's objective was to provide support and advice to the Deputy Prime Minister in overseeing and co-ordinating across the full range of domestic Government policy and deputising for the Prime Minister at home and abroad.

6. Other Administration Costs

	2006-07	2005-06
	£000	£000
Non Cash Items:		
Cost of capital charge	(14)	(1)
Auditor's remuneration and expenses *	20	-
Other expenditure		
Accommodation	487	481
IT expenditure	71	73
Travel, subsistence and hospitality	507	545
Professional Services	29	29
Telecommunications	51	21
Other	108	94
Total	1,259	1,242

- Auditor's remuneration and expenses were incurred by the National Audit Office for which there was no cost to the Office.

7. Analysis of net operating cost by spending body

	2006-07	2005-06
	Estimate	Outturn
	£000	£000
Spending body:		
Core Department	2,547	2,306
Net Operating Cost	2,547	2,306

8. Debtors**8(a) Analysis by type**

	2006-07	2005-06
	£000	£000
Amounts falling due within one year:		
VAT Debtors	4	-
Other debtors	37	1
Prepayments and accrued income	-	2
	41	3

8(b) Intra-Government Balances

	Amounts falling due within	
	one year	
	2006-07	2005-06
	£000	£000
Balances with other central government bodies	41	-
Sub-total	41	-
Balances with bodies external to government	-	3
Total debtors at 31 March	41	3

9. Cash at bank and in hand

	2006-07 £000	2005-06 £000
Balance at 1 April	-	-
Net change in cash balances:	261	-
Balance at 31 March	261	-
The following balances at 31 March were held at:		
Office of HM Paymaster General	261	-
Balance at 31 March	261	-

10. Creditors**10(a) Analysis by type**

	2006-07 £000	2005-06 £000
Amounts falling due within one year:		
Trade creditors	648	1
Other creditors	1	27
Accruals and deferred income	176	3
Amount due to the Consolidated Fund in respect of supply	233	-
Total	1,058	31

The large increase in creditors is predominantly due to the recharges from the Cabinet Office and Department for Communities and Local Government for services incurred by the Office. In addition, there is the amount due to the Consolidated Fund in respect of supply. These circumstances did not exist at the March 2006 Balance Sheet date, and therefore a direct comparison can not be made.

10(b) Intra-Government Balances

	Amounts falling due within one year	
	2006-07 £000	2005-06 £000
Balances with other central government bodies	883	-
Sub-total	883	-
Balances with bodies external to government	175	31
Total creditors at 31 March	1,058	31

11. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2006-07	2005-06
	£000	£000
Balance at 1 April	(28)	(16)
Net Parliamentary Funding		
Drawn Down	1,940	2,295
MOG transfer	28	-
Year end adjustment		
Supply Creditor – current year	(233)	-
Net Transfer from Operating Activities		
Net Operating Cost	(2,469)	(2,306)
Non Cash Charges		
Cost of Capital	(14)	(1)
Auditors' remuneration	20	-
Balance at 31 March	(756)	(28)

12. Notes to the Cash Flow Statement**12(a) Reconciliation of operating cost to operating cash flows**

	Note	2006-07	2005-06
		£000	£000
Net operating cost	3,7	(2,469)	(2,306)
Adjustments for non-cash transactions		6	(1)
(Increase)/Decrease in Debtors	8a	(38)	(2)
Increase/(Decrease) in Creditors	10a	1,027	14
Less: <i>movement in creditors relating to items not passing through the OCS</i>		(233)	-
Net cash outflow from operating activities		(1,707)	(2,295)

12(b) Analysis of financing

	Note	2006-07	2005-06
		£000	£000
From the Consolidated Fund (Supply) current year	11	1,940	2,295
Machinery of Government Transfer	11	28	-
Net financing		1,968	2,295

12(c) Reconciliation of Net Cash Requirement to increase in cash

	Note	2006-07	2005-06
		£000	£000
Net cash requirement	4	(1,707)	(2,295)
From the Consolidated Fund (Supply) – current year	11	1,940	2,295
Machinery of Government Transfer	11	28	-
Increase in cash		261	-

13. Analysis of Net Resource Outturn by Estimate Subhead and Reconciliation to Operating Cost Statement**Capital Employed by Departmental Aim and Objectives at 31 March 2007**

	2006-07	2005-06
	£000	£000
To provide support and advice to the Deputy Prime Minister in overseeing and co-ordinating across the full range of domestic Government policy and deputising for the Prime Minister at home and abroad.	(756)	(28)

14. Commitments under Leases**Operating Leases**

- 14.1 The Office re-imburses the Cabinet Office for the rental of their premises, which are held under an operating lease. Details of these commitments will be disclosed in the Resource Accounts of the Cabinet Office.

Finance Leases

- 14.2 The Office had no finance lease commitments at 31 March 2007.

15. Other Financial Commitments

- 15.1 The Office has no other financial commitments.

16. Financial Instruments

- 16.1 FRS 13, Derivatives and other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which Government Departments are financed, the Office is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating and changing risk than would be typical of the listed companies to which FRS13 mainly applies. The Office has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities, but do not affect the risks facing the Office in undertaking its activities.

Currency Risk

- 16.2 The Office is not exposed to any significant currency risk.

Liquidity Risk

- 16.3 The Office's net resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Office is not therefore exposed to significant liquidity risks.

Interest Rate Risk

- 16.4 The Office is not exposed to significant interest-rate risk as its financial assets carry nil rates of interest.

Interest Rate Profile

- 16.5 The following tables show the interest rate profile of the Office's financial assets.

Financial Assets

All in Sterling	Fixed-rate financial assets				
	Total	Fixed-rate	Non-interest bearing	Weighted-average	Weighted-average
		financial	financial assets (Note a)	interest rate	period for which
	£000	assets	£000	%	rate is fixed
		£000			Years
At 31 March 2007:					
Cash at bank and in hand	261		261		
Gross Financial Assets	261		261		
At 31 March 2006:					
Cash at bank and in hand	-		-		
Gross Financial Assets	-		-		

Note (a):

The Office's non-interest bearing financial assets, being cash at bank and in hand relates to amounts held within the Office of the Paymaster General.

Fair Values

16.6 Set out below is a comparison by category of book values and fair values of the Office's financial assets as at 31 March 2007.

	Book value	Fair value
	£000	£000
Primary Financial Instruments:		
<i>Financial Assets:</i>		
Cash at bank	261	261

17. Contingent Liabilities disclosed under FRS 12

17.1 The Office does not have any contingent liabilities.

18. Related Party Transactions

18.1 The Office has made a number of transactions with other Government Departments.

18.2 None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Office during the year.

19. Post Balance Sheet Events

19.1 The Rt Hon John Prescott MP stood down as Deputy Prime Minister (DPM) on 27 June. In the Ministerial re-shuffle that followed, Gordon Brown announced that he would not be appointing a DPM and that DPMO would be disbanded and its functions transferred to the Cabinet Office.

19.2 The Office's financial statements are laid before the Houses of Parliament by HM Treasury. FRS 21 requires the Office to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are dispatched by the DPMO's management to HM Treasury. The authorised date for issue is 23 July 2007.

Glossary: Government Accounting

Accounting Officer: In accordance with section 5(6) of the Government Resources and Accounts Act 2000, the Treasury appoints an Accounting Officer for each Department which is obliged, by section 5(1) of that Act, to prepare a resource account. Under the Minister, it is the Accounting Officer who has personal responsibility for the overall organisation, management and staffing of the Office, and is the principal witness on behalf of the Office before the Public Accounts Committee to deal with questions arising from those accounts.

Administration Costs: The amount of budget a Department may spend on running itself. This excludes the costs of running front line services delivered directly by the Department.

Annually Managed Expenditure (AME): Expenditure which can not reasonably be subject to firm multi-year limits.

Appropriations in Aid: Non-tax receipts arising from and incidental to the ordinary business of a Government Department, which have been authorised, up to the amount specified in the Estimates, as funds available to meet expenditure.

Consolidated Fund: The central fund into which the production of taxation and other public revenues and receipts are paid and, out of which, government expenditure is met.

Departmental Expenditure Limit (DEL): Spending, which is planned and controlled on a three-year basis in Spending Reviews.

Estimates: Annual statements prepared by Government Departments, containing the Government's proposals for expenditure on the Supply Services for the coming financial year.

Outturn: Actual expenditure.

Permanent Secretary: The permanent head of the Office.

Propriety: This is a requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of Parliamentary control, including the conventions agreed with Parliament and, in particular, the Public Accounts Committee.

Public Accounts Committee: An all-party Select Committee of the House of Commons which is empowered to inquire into the financial administration of Government Departments and examine their accounts. The Committee reports on its findings to Parliament.

Public Expenditure Survey: The annual review of public expenditure plans.

Public Expenditure Survey Committee: A co-ordinating committee of officials chaired by the Treasury.

Regularity: This is a requirement for all items of expenditure and receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of Government Accounting.

Request for Resources (RfR): The major sub-division of the Supply Estimates.

Spending Review: Sets Departmental spending plans for three years. This process was started in the 1998 Comprehensive Spending Review (CSR), which was a comprehensive review of Departmental aims and objectives alongside a zero-based analysis of each spending programme, to determine the best way of delivering the Government's objectives. The 1998 CSR introduced Public Service Agreements (PSAs). Each major Government Department was given its own PSA setting out clear targets for achievements in terms of public service improvements.

The 1998 CSR also introduced the DEL/ AME framework for the control of public spending. Successive Spending Reviews in 2000, 2002 and 2004 have continued setting plans for Departments. The 2007 Comprehensive Spending Review will represent a long-term and fundamental review of Government expenditure. It will cover Departmental allocations for 2008-09, 2009-10 and 2010-11. Allocations for 2007-08 will be held to the agreed figures already announced by the 2004 Spending Review.

Supplementary Estimate: A supplementary Estimate is presented to Parliament during the course of the financial year to obtain additional money either for a new service or to make good an under-provision for existing services.

Supply Expenditure: Expenditure by Central Government, which is financed by money, voted by Parliament in the Supply Estimates.

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